

104<sup>TH</sup> CONGRESS  
2<sup>ND</sup> SESSION

**H. R. 2029**

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**HOUSE AMENDMENT  
TO SENATE  
AMENDMENT**

***In the House of Representatives, U.S.,***

*January 3, 1996.*

*Resolved*, That the House agree to the amendments of the Senate to the bill (H.R. 2029) entitled “An Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes”, with the following

**HOUSE AMENDMENT TO  
SENATE AMENDMENT:**

In lieu of the matter proposed to be inserted by the Senate amendment to the text of the bill, insert:

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) *SHORT TITLE.*—*This Act may be cited as the*  
 3 *“Farm Credit System Reform Act of 1996”.*

4 (b) *TABLE OF CONTENTS.*—*The table of contents for*  
 5 *this Act is as follows:*

*Sec. 1. Short title; table of contents.*

**TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET**

*Sec. 101. Definition of real estate.*

*Sec. 102. Definition of certified facility.*

*Sec. 103. Duties of Federal Agricultural Mortgage Corporation.*

*Sec. 104. Powers of the Corporation.*

*Sec. 105. Federal reserve banks as depositaries and fiscal agents.*

*Sec. 106. Certification of agricultural mortgage marketing facilities.*

*Sec. 107. Guarantee of qualified loans.*

*Sec. 108. Mandatory reserves and subordinated participation interests elimi-  
nated.*

*Sec. 109. Standards requiring diversified pools.*

*Sec. 110. Small farms.*

*Sec. 111. Definition of an affiliate.*

*Sec. 112. State usury laws superseded.*

*Sec. 113. Extension of capital transition period.*

*Sec. 114. Minimum capital level.*

*Sec. 115. Critical capital level.*

*Sec. 116. Enforcement levels.*

*Sec. 117. Recapitalization of the Corporation.*

*Sec. 118. Liquidation of the Federal Agricultural Mortgage Corporation.*

**TITLE II—REGULATORY RELIEF**

*Sec. 201. Compensation of association personnel.*

*Sec. 202. Use of private mortgage insurance.*

*Sec. 203. Removal of certain borrower reporting requirement.*

*Sec. 204. Reform of regulatory limitations on dividend, member business, and  
voting practices of eligible farmer-owned cooperatives.*

*Sec. 205. Removal of Federal Government certification requirement for certain  
private sector financings.*

*Sec. 206. Borrower stock.*

*Sec. 207. Disclosure relating to adjustable rate loans.*

*Sec. 208. Borrowers’ rights.*

*Sec. 209. Formation of administrative service entities.*

*Sec. 210. Joint management agreements.*

*Sec. 211. Dissemination of quarterly reports.*

*Sec. 212. Regulatory review.*

*Sec. 213. Examination of farm credit system institutions.*

*Sec. 214. Conservatorships and receiverships.*

*Sec. 215. Farm Credit Insurance Fund operations.*

*Sec. 216. Examinations by the Farm Credit System Insurance Corporation.*

*Sec. 217. Powers with respect to troubled insured System banks.*

*Sec. 218. Oversight and regulatory actions by the Farm Credit System Insurance Corporation.*

*Sec. 219. Farm Credit System Insurance Corporation board of directors.*

*Sec. 220. Interest rate reduction program.*

*Sec. 221. Liability for making criminal referrals.*

### *TITLE III—IMPLEMENTATION AND EFFECTIVE DATE*

*Sec. 301. Implementation.*

*Sec. 302. Effective date.*

## **1    *TITLE I—AGRICULTURAL MORT-* 2        *GAGE SECONDARY MARKET***

### **3    *SEC. 101. DEFINITION OF REAL ESTATE.***

4        *Section 8.0(1)(B)(ii) of the Farm Credit Act of 1971*  
5    *(12 U.S.C. 2279aa(1)(B)(ii)) is amended by striking “with*  
6    *a purchase price” and inserting “, excluding the land to*  
7    *which the dwelling is affixed, with a value”.*

### **8    *SEC. 102. DEFINITION OF CERTIFIED FACILITY.***

9        *Section 8.0(3) of the Farm Credit Act of 1971 (12*  
10   *U.S.C. 2279aa(3)) is amended—*

11            *(1) in subparagraph (A), by striking “a second-*  
12            *ary marketing agricultural loan” and inserting “an*  
13            *agricultural mortgage marketing”; and*

14            *(2) in subparagraph (B), by striking “, but*  
15            *only” and all that follows through “(9)(B)”.*

### **16   *SEC. 103. DUTIES OF FEDERAL AGRICULTURAL MORTGAGE* 17        *CORPORATION.***

18        *Section 8.1(b) of the Farm Credit Act of 1971 (12*  
19   *U.S.C. 2279aa–1(b)) is amended—*

20            *(1) in paragraph (2), by striking “and” at the*  
21            *end;*

1           (2) in paragraph (3), by striking the period at  
2           the end and inserting “; and”; and

3           (3) by adding at the end the following:

4           “(4) purchase qualified loans and issue securities  
5           representing interests in, or obligations backed by, the  
6           qualified loans, guaranteed for the timely repayment  
7           of principal and interest.”.

8   **SEC. 104. POWERS OF THE CORPORATION.**

9           Section 8.3(c) of the Farm Credit Act of 1971 (12  
10   U.S.C. 2279aa–3(c)) is amended—

11           (1) by redesignating paragraphs (13) and (14)  
12           as paragraphs (14) and (15), respectively; and

13           (2) by inserting after paragraph (12) the follow-  
14           ing:

15           “(13) To purchase, hold, sell, or assign a quali-  
16           fied loan, to issue a guaranteed security, representing  
17           an interest in, or an obligation backed by, the quali-  
18           fied loan, and to perform all the functions and re-  
19           sponsibilities of an agricultural mortgage marketing  
20           facility operating as a certified facility under this  
21           title.”.

22   **SEC. 105. FEDERAL RESERVE BANKS AS DEPOSITARIES AND**  
23           **FISCAL AGENTS.**

24           Section 8.3 of the Farm Credit Act of 1971 (12 U.S.C.  
25   2279aa–3) is amended—

1           (1) in subsection (d), by striking “may act as de-  
2           positories for, or” and inserting “shall act as deposi-  
3           tories for, and”; and

4           (2) in subsection (e), by striking “Secretary of  
5           the Treasury may authorize the Corporation to use”  
6           and inserting “Corporation shall have access to”.

7   **SEC. 106. CERTIFICATION OF AGRICULTURAL MORTGAGE**  
8                           **MARKETING FACILITIES.**

9           Section 8.5 of the Farm Credit Act of 1971 (12 U.S.C.  
10   2279aa-5) is amended—

11           (1) in subsection (a)—

12                   (A) in paragraph (1), by inserting “(other  
13           than the Corporation)” after “agricultural mort-  
14           gage marketing facilities”; and

15                   (B) in paragraph (2), by inserting “(other  
16           than the Corporation)” after “agricultural mort-  
17           gage marketing facility”; and

18           (2) in subsection (e)(1), by striking “(other than  
19           the Corporation)”.

20   **SEC. 107. GUARANTEE OF QUALIFIED LOANS.**

21           Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C.  
22   2279aa-6) is amended—

23           (1) in subsection (a)(1)—

24                   (A) by striking “Corporation shall guaran-  
25           tee” and inserting the following: “Corporation—

1 “(A) shall guarantee”;

2 (B) by striking the period at the end and  
3 inserting “; and”; and

4 (C) by adding at the end the following:

5 “(B) may issue a security, guaranteed as to  
6 the timely payment of principal and interest,  
7 that represents an interest solely in, or an obli-  
8 gation fully backed by, a pool consisting of  
9 qualified loans that—

10 “(i) meet the standards established  
11 under section 8.8; and

12 “(ii) have been purchased and held by  
13 the Corporation.”;

14 (2) in subsection (d)—

15 (A) by striking paragraph (4); and

16 (B) by redesignating paragraphs (5), (6),  
17 and (7) as paragraphs (4), (5), and (6), respec-  
18 tively; and

19 (3) in subsection (g)(2), by striking “section  
20 8.0(9)(B))” and inserting “section 8.0(9))”.

21 **SEC. 108. MANDATORY RESERVES AND SUBORDINATED**

22 **PARTICIPATION INTERESTS ELIMINATED.**

23 (a) **GUARANTEE OF QUALIFIED LOANS.**—Section 8.6  
24 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6) is  
25 amended by striking subsection (b).

1       (b) *RESERVES AND SUBORDINATED PARTICIPATION*  
 2 *INTERESTS.*—Section 8.7 of the Farm Credit Act of 1971  
 3 (12 U.S.C. 2279aa–7) is repealed.

4       (c) *CONFORMING AMENDMENTS.*—

5           (1) Section 8.0(9)(B)(i) of the Farm Credit Act  
 6 of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by  
 7 striking “8.7, 8.8,” and inserting “8.8”.

8           (2) Section 8.6(a)(2) of the Farm Credit Act of  
 9 1971 (12 U.S.C. 2279aa–6(a)(2)) is amended by  
 10 striking “subject to the provisions of subsection (b)”.

11 ***SEC. 109. STANDARDS REQUIRING DIVERSIFIED POOLS.***

12       (a) *IN GENERAL.*—Section 8.6 of the Farm Credit Act  
 13 of 1971 (12 U.S.C. 2279aa–6) (as amended by section 108)  
 14 is amended—

15           (1) by striking subsection (c); and

16           (2) by redesignating subsections (d) through (g)  
 17 as subsections (b) through (e), respectively.

18       (b) *CONFORMING AMENDMENTS.*—

19           (1) Section 8.0(9)(B)(i) of the Farm Credit Act  
 20 of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by  
 21 striking “(f)” and inserting “(d)”.

22           (2) Section 8.13(a) of the Farm Credit Act of  
 23 1971 (12 U.S.C. 2279aa–13(a)) is amended by strik-  
 24 ing “sections 8.6(b) and” in each place it appears  
 25 and inserting “section”.



1           (3) *Section 8.32(b)(1)(C) of the Farm Credit Act*  
 2           *of 1971 (12 U.S.C. 2279bb–1(b)(1)(C)) is amended—*

3                   (A) *by striking “shall” and inserting*  
 4                   *“may”; and*

5                   (B) *by inserting “(as in effect before the*  
 6                   *date of the enactment of the Farm Credit System*  
 7                   *Reform Act of 1996)” before the semicolon.*

8           (4) *Section 8.6(b) of the Farm Credit Act of*  
 9           *1971 (12 U.S.C. 2279aa–6(b)) (as redesignated by*  
 10           *subsection (a)(2)) is amended—*

11                   (A) *by striking paragraph (4) (as redesign-*  
 12                   *ated by section 107(2)(B)); and*

13                   (B) *by redesignating paragraphs (5) and*  
 14                   (6) *(as redesignated by section 107(2)(B)) as*  
 15                   *paragraphs (4) and (5), respectively.*

16   **SEC. 110. SMALL FARMS.**

17           *Section 8.8(e) of the Farm Credit Act of 1971 (12*  
 18           *U.S.C. 2279aa–8(e)) is amended by adding at the end the*  
 19           *following: “The Board shall promote and encourage the in-*  
 20           *clusion of qualified loans for small farms and family farm-*  
 21           *ers in the agricultural mortgage secondary market.”.*

22   **SEC. 111. DEFINITION OF AN AFFILIATE.**

23           *Section 8.11(e) of the Farm Credit Act of 1971 (21*  
 24           *U.S.C. 2279aa–11(e)) is amended—*

25                   (1) *by striking “a certified facility or”; and*

1           (2) by striking “paragraphs (3) and (7), respec-  
 2           tively, of section 8.0” and inserting “section 8.0(7)”.

3   **SEC. 112. STATE USURY LAWS SUPERSEDED.**

4           Section 8.12 of the Farm Credit Act of 1971 (12 U.S.C.  
 5   2279aa–12) is amended by striking subsection (d) and in-  
 6   serting the following:

7           “(d) *STATE USURY LAWS SUPERSEDED.*—A provision  
 8   of the Constitution or law of any State shall not apply to  
 9   an agricultural loan made by an originator or a certified  
 10   facility in accordance with this title for sale to the Corpora-  
 11   tion or to a certified facility for inclusion in a pool for  
 12   which the Corporation has provided, or has committed to  
 13   provide, a guarantee, if the loan, not later than 180 days  
 14   after the date the loan was made, is sold to the Corporation  
 15   or included in a pool for which the Corporation has pro-  
 16   vided a guarantee, if the provision—

17           “(1) limits the rate or amount of interest, dis-  
 18   count points, finance charges, or other charges that  
 19   may be charged, taken, received, or reserved by an ag-  
 20   ricultural lender or a certified facility; or

21           “(2) limits or prohibits a prepayment penalty  
 22   (either fixed or declining), yield maintenance, or  
 23   make-whole payment that may be charged, taken, or  
 24   received by an agricultural lender or a certified facil-  
 25   ity in connection with the full or partial payment of

1        *the principal amount due on a loan by a borrower in*  
 2        *advance of the scheduled date for the payment under*  
 3        *the terms of the loan, otherwise known as a prepay-*  
 4        *ment of the loan principal.”.*

5        ***SEC. 113. EXTENSION OF CAPITAL TRANSITION PERIOD.***

6        *Section 8.32 of the Farm Credit Act of 1971 (12 U.S.C.*  
 7        *2279bb–1) is amended—*

8                *(1) in the first sentence of subsection (a), by*  
 9                *striking “Not later than the expiration of the 2-year*  
 10               *period beginning on December 13, 1991,” and insert-*  
 11               *ing “Not sooner than the expiration of the 3-year pe-*  
 12               *riod beginning on the date of enactment of the Farm*  
 13               *Credit System Reform Act of 1996,”;*

14               *(2) in the first sentence of subsection (b)(2), by*  
 15               *striking “5-year” and inserting “8-year”; and*

16               *(3) in subsection (d)—*

17                        *(A) in the first sentence—*

18                                *(i) by striking “The regulations estab-*  
 19                                *lishing” and inserting the following:*

20                                *“(1) IN GENERAL.—The regulations establish-*  
 21                                *ing”; and*

22                                *(ii) by striking “shall contain” and in-*  
 23                                *serting the following: “shall—*

24                                *“(A) be issued by the Director for public*  
 25                                *comment in the form of a notice of proposed*

1           rulemaking, to be first published after the expi-  
 2           ration of the period referred to in subsection (a);  
 3           and

4                   “(B) contain”; and

5                   (B) in the second sentence, by striking “The  
 6           regulations shall” and inserting the following:

7                   “(2) *SPECIFICITY.*—The regulations referred to  
 8           in paragraph (1) shall”.

9   **SEC. 114. MINIMUM CAPITAL LEVEL.**

10       Section 8.33 of the Farm Credit Act of 1971 (12 U.S.C.  
 11   2279bb–2) is amended to read as follows:

12   **“SEC. 8.33. MINIMUM CAPITAL LEVEL.**

13       “(a) *IN GENERAL.*—Except as provided in subsection  
 14   (b), for purposes of this subtitle, the minimum capital level  
 15   for the Corporation shall be an amount of core capital equal  
 16   to the sum of—

17                   “(1) 2.75 percent of the aggregate on-balance  
 18   sheet assets of the Corporation, as determined in ac-  
 19   cordance with generally accepted accounting prin-  
 20   ciples; and

21                   “(2) 0.75 percent of the aggregate off-balance  
 22   sheet obligations of the Corporation, which, for the  
 23   purposes of this subtitle, shall include—

24                           “(A) the unpaid principal balance of out-  
 25   standing securities that are guaranteed by the

1        *Corporation and backed by pools of qualified*  
 2        *loans;*

3                *“(B) instruments that are issued or guaran-*  
 4        *teed by the Corporation and are substantially*  
 5        *equivalent to instruments described in subpara-*  
 6        *graph (A); and*

7                *“(C) other off-balance sheet obligations of*  
 8        *the Corporation.*

9        *“(b) TRANSITION PERIOD.—*

10               *“(1) IN GENERAL.—For purposes of this subtitle,*  
 11        *the minimum capital level for the Corporation—*

12               *“(A) prior to January 1, 1997, shall be the*  
 13        *amount of core capital equal to the sum of—*

14               *“(i) 0.45 percent of aggregate off-bal-*  
 15        *ance sheet obligations of the Corporation;*

16               *“(ii) 0.45 percent of designated on-bal-*  
 17        *ance sheet assets of the Corporation, as de-*  
 18        *termined under paragraph (2); and*

19               *“(iii) 2.50 percent of on-balance sheet*  
 20        *assets of the Corporation other than assets*  
 21        *designated under paragraph (2);*

22               *“(B) during the 1-year period ending De-*  
 23        *cember 31, 1997, shall be the amount of core cap-*  
 24        *ital equal to the sum of—*

1           “(i) 0.55 percent of aggregate off-bal-  
2           ance sheet obligations of the Corporation;

3           “(ii) 1.20 percent of designated on-bal-  
4           ance sheet assets of the Corporation, as de-  
5           termined under paragraph (2); and

6           “(iii) 2.55 percent of on-balance sheet  
7           assets of the Corporation other than assets  
8           designated under paragraph (2);

9           “(C) during the 1-year period ending De-  
10          cember 31, 1998, shall be the amount of core cap-  
11          ital equal to—

12           “(i) if the Corporation’s core capital is  
13          not less than \$25,000,000 on January 1,  
14          1998, the sum of—

15           “(I) 0.65 percent of aggregate off-  
16          balance sheet obligations of the Cor-  
17          poration;

18           “(II) 1.95 percent of designated  
19          on-balance sheet assets of the Corpora-  
20          tion, as determined under paragraph  
21          (2); and

22           “(III) 2.65 percent of on-balance  
23          sheet assets of the Corporation other  
24          than assets designated under para-  
25          graph (2); or

1                   “(ii) if the Corporation’s core capital  
 2                   is less than \$25,000,000 on January 1,  
 3                   1998, the amount determined under sub-  
 4                   section (a); and

5                   “(D) on and after January 1, 1999, shall be  
 6                   the amount determined under subsection (a).

7                   “(2) *DESIGNATED ON-BALANCE SHEET AS-*  
 8                   *SETS.—For purposes of this subsection, the designated*  
 9                   *on-balance sheet assets of the Corporation shall be—*

10                   “(A) the aggregate on-balance sheet assets of  
 11                   the Corporation acquired under section 8.6(e);  
 12                   and

13                   “(B) the aggregate amount of qualified  
 14                   loans purchased and held by the Corporation  
 15                   under section 8.3(c)(13).”.

16 **SEC. 115. CRITICAL CAPITAL LEVEL.**

17                   Section 8.34 of the Farm Credit Act of 1971 (12 U.S.C.  
 18                   2279bb–3) is amended to read as follows:

19 **“SEC. 8.34. CRITICAL CAPITAL LEVEL.**

20                   “*For purposes of this subtitle, the critical capital level*  
 21                   *for the Corporation shall be an amount of core capital equal*  
 22                   *to 50 percent of the total minimum capital amount deter-*  
 23                   *mined under section 8.33.”.*

1 **SEC. 116. ENFORCEMENT LEVELS.**

2       Section 8.35(e) of the Farm Credit Act of 1971 (12  
3 U.S.C. 2279bb–4(e)) is amended by striking “during the 30-  
4 month period beginning on the date of the enactment of this  
5 section,” and inserting “during the period beginning on De-  
6 cember 13, 1991, and ending on the effective date of the  
7 risk based capital regulation issued by the Director under  
8 section 8.32,”.

9 **SEC. 117. RECAPITALIZATION OF THE CORPORATION.**

10       Title VIII of the Farm Credit Act of 1971 (12 U.S.C.  
11 2279aa et seq.) is amended by adding at the end the follow-  
12 ing:

13 **“SEC. 8.38. RECAPITALIZATION OF THE CORPORATION.**

14       “(a) MANDATORY RECAPITALIZATION.—The Corpora-  
15 tion shall increase the core capital of the Corporation to  
16 an amount equal to or greater than \$25,000,000, not later  
17 than the earlier of—

18               “(1) the date that is 2 years after the date of en-  
19 actment of this section; or

20               “(2) the date that is 180 days after the end of  
21 the first calendar quarter that the aggregate on-bal-  
22 ance sheet assets of the Corporation, plus the out-  
23 standing principal of the off-balance sheet obligations  
24 of the Corporation, equal or exceed \$2,000,000,000.

25       “(b) RAISING CORE CAPITAL.—In carrying out this  
26 section, the Corporation may issue stock under section 8.4



1 *and otherwise employ any recognized and legitimate means*  
 2 *of raising core capital in the power of the Corporation*  
 3 *under section 8.3.*

4 “(c) *LIMITATION ON GROWTH OF TOTAL ASSETS.—*  
 5 *During the 2-year period beginning on the date of enact-*  
 6 *ment of this section, the aggregate on-balance sheet assets*  
 7 *of the Corporation plus the outstanding principal of the off-*  
 8 *balance sheet obligations of the Corporation may not exceed*  
 9 *\$3,000,000,000 if the core capital of the Corporation is less*  
 10 *than \$25,000,000.*

11 “(d) *ENFORCEMENT.—If the Corporation fails to carry*  
 12 *out subsection (a) by the date required under paragraph*  
 13 *(1) or (2) of subsection (a), the Corporation may not pur-*  
 14 *chase a new qualified loan or issue or guarantee a new*  
 15 *loan-backed security until the core capital of the Corpora-*  
 16 *tion is increased to an amount equal to or greater than*  
 17 *\$25,000,000.”.*

18 ***SEC. 118. LIQUIDATION OF THE FEDERAL AGRICULTURAL***  
 19 ***MORTGAGE CORPORATION.***

20 *Title VIII of the Farm Credit Act of 1971 (12 U.S.C.*  
 21 *2279aa et seq.) (as amended by section 117) is amended*  
 22 *by adding at the end the following:*

1 **“Subtitle C—Receivership, Con-**  
 2 **servatorship, and Liquidation of**  
 3 **the Federal Agricultural Mort-**  
 4 **gage Corporation**

5 **“SEC. 8.41. CONSERVATORSHIP; LIQUIDATION; RECEIVER-**  
 6 **SHIP.**

7 “(a) *VOLUNTARY LIQUIDATION.*—The Corporation  
 8 may voluntarily liquidate only with the consent of, and in  
 9 accordance with a plan of liquidation approved by, the  
 10 Farm Credit Administration Board.

11 “(b) *INVOLUNTARY LIQUIDATION.*—

12 “(1) *IN GENERAL.*—The Farm Credit Adminis-  
 13 tration Board may appoint a conservator or receiver  
 14 for the Corporation under the circumstances specified  
 15 in section 4.12(b).

16 “(2) *APPLICATION.*—In applying section 4.12(b)  
 17 to the Corporation under paragraph (1)—

18 “(A) the Corporation shall also be consid-  
 19 ered insolvent if the Corporation is unable to  
 20 pay its debts as they fall due in the ordinary  
 21 course of business;

22 “(B) a conservator may also be appointed  
 23 for the Corporation if the authority of the Cor-  
 24 poration to purchase qualified loans or issue or

1           *guarantee loan-backed securities is suspended;*  
2           *and*

3           “(C) *a receiver may also be appointed for*  
4           *the Corporation if—*

5                     “(i)(I) *the authority of the Corporation*  
6                     *to purchase qualified loans or issue or guar-*  
7                     *antee loan-backed securities is suspended; or*

8                     “(II) *the Corporation is classified*  
9                     *under section 8.35 as within level III or IV*  
10                    *and the alternative actions available under*  
11                    *subtitle B are not satisfactory; and*

12                    “(ii) *the Farm Credit Administration*  
13                    *determines that the appointment of a con-*  
14                    *servator would not be appropriate.*

15           “(3) *NO EFFECT ON SUPERVISORY ACTIONS.—*  
16           *The grounds for appointment of a conservator for the*  
17           *Corporation under this subsection shall be in addition*  
18           *to those in section 8.37.*

19           “(c) *APPOINTMENT OF CONSERVATOR OR RECEIVER.—*

20                    “(1) *QUALIFICATIONS.—Notwithstanding section*  
21                    *4.12(b), if a conservator or receiver is appointed for*  
22                    *the Corporation, the conservator or receiver shall be—*

23                    “(A) *the Farm Credit Administration or*  
24                    *any other governmental entity or employee, in-*

cluding the Farm Credit System Insurance Corporation; or

“(B) any person that—

“(i) has no claim against, or financial interest in, the Corporation or other basis for a conflict of interest as the conservator or receiver; and

“(ii) has the financial and management expertise necessary to direct the operations and affairs of the Corporation and, if necessary, to liquidate the Corporation.

“(2) COMPENSATION.—

“(A) IN GENERAL.—A conservator or receiver for the Corporation and professional personnel (other than a Federal employee) employed to represent or assist the conservator or receiver may be compensated for activities conducted as, or for, a conservator or receiver.

“(B) LIMIT ON COMPENSATION.—Compensation may not be provided in amounts greater than the compensation paid to employees of the Federal Government for similar services, except that the Farm Credit Administration may provide for compensation at higher rates that are not in excess of rates prevailing in the private

1        *sector if the Farm Credit Administration deter-*  
2        *mines that compensation at higher rates is nec-*  
3        *essary in order to recruit and retain competent*  
4        *personnel.*

5                *“(C) CONTRACTUAL ARRANGEMENTS.—The*  
6        *conservator or receiver may contract with any*  
7        *governmental entity, including the Farm Credit*  
8        *System Insurance Corporation, to make person-*  
9        *nel, services, and facilities of the entity available*  
10       *to the conservator or receiver on such terms and*  
11       *compensation arrangements as shall be mutually*  
12       *agreed, and each entity may provide the same to*  
13       *the conservator or receiver.*

14               *“(3) EXPENSES.—A valid claim for expenses of*  
15       *the conservatorship or receivership (including com-*  
16       *pensation under paragraph (2)) and a valid claim*  
17       *with respect to a loan made under subsection (f)*  
18       *shall—*

19               *“(A) be paid by the conservator or receiver*  
20       *from funds of the Corporation before any other*  
21       *valid claim against the Corporation; and*

22               *“(B) may be secured by a lien, on such*  
23       *property of the Corporation as the conservator or*  
24       *receiver may determine, that shall have priority*  
25       *over any other lien.*

1           “(4) *LIABILITY.*—If the conservator or receiver  
2     for the Corporation is not a Federal entity, or an offi-  
3     cer or employee of the Federal Government, the con-  
4     servator or receiver shall not be personally liable for  
5     damages in tort or otherwise for an act or omission  
6     performed pursuant to and in the course of the  
7     conservatorship or receivership, unless the act or  
8     omission constitutes gross negligence or any form of  
9     intentional tortious conduct or criminal conduct.

10          “(5) *INDEMNIFICATION.*—The Farm Credit Ad-  
11     ministration may allow indemnification of the con-  
12     servator or receiver from the assets of the  
13     conservatorship or receivership on such terms as the  
14     Farm Credit Administration considers appropriate.

15          “(d) *JUDICIAL REVIEW OF APPOINTMENT.*—

16          “(1) *IN GENERAL.*—Notwithstanding subsection  
17     (i)(1), not later than 30 days after a conservator or  
18     receiver is appointed under subsection (b), the Cor-  
19     poration may bring an action in the United States  
20     District Court for the District of Columbia for an  
21     order requiring the Farm Credit Administration  
22     Board to remove the conservator or receiver. The court  
23     shall, on the merits, dismiss the action or direct the  
24     Farm Credit Administration Board to remove the  
25     conservator or receiver.

1           “(2) *STAY OF OTHER ACTIONS.*—*On the com-*  
2           *mencement of an action under paragraph (1), any*  
3           *court having jurisdiction of any other action or en-*  
4           *forcement proceeding authorized under this Act to*  
5           *which the Corporation is a party shall stay the action*  
6           *or proceeding during the pendency of the action for*  
7           *removal of the conservator or receiver.*

8           “(e) *GENERAL POWERS OF CONSERVATOR OR RE-*  
9           *CEIVER.*—*The conservator or receiver for the Corporation*  
10          *shall have such powers to conduct the conservatorship or*  
11          *receivership as shall be provided pursuant to regulations*  
12          *adopted by the Farm Credit Administration Board. Such*  
13          *powers shall be comparable to the powers available to a con-*  
14          *servator or receiver appointed pursuant to section 4.12(b).*

15          “(f) *BORROWINGS FOR WORKING CAPITAL.*—

16               “(1) *IN GENERAL.*—*If the conservator or receiver*  
17          *of the Corporation determines that it is likely that*  
18          *there will be insufficient funds to pay the ongoing ad-*  
19          *ministrative expenses of the conservatorship or receiv-*  
20          *ership or that there will be insufficient liquidity to*  
21          *fund maturing obligations of the conservatorship or*  
22          *receivership, the conservator or receiver may borrow*  
23          *funds in such amounts, from such sources, and at*  
24          *such rates of interest as the conservator or receiver*  
25          *considers necessary or appropriate to meet the admin-*

1        *istrative expenses or liquidity needs of the*  
 2        *conservatorship or receivership.*

3            “(2) *WORKING CAPITAL FROM FARM CREDIT*  
 4        *BANKS.—A Farm Credit bank may loan funds to the*  
 5        *conservator or receiver for a loan authorized under*  
 6        *paragraph (1) or, in the event of receivership, a Farm*  
 7        *Credit bank may purchase assets of the Corporation.*

8            “(g) *AGREEMENTS AGAINST INTERESTS OF CON-*  
 9        *SERVATOR OR RECEIVER.—No agreement that tends to di-*  
 10       *minish or defeat the right, title, or interest of the conserva-*  
 11       *tor or receiver for the Corporation in any asset acquired*  
 12       *by the conservator or receiver as conservator or receiver for*  
 13       *the Corporation shall be valid against the conservator or*  
 14       *receiver unless the agreement—*

15            “(1) *is in writing;*

16            “(2) *is executed by the Corporation and any per-*  
 17        *son claiming an adverse interest under the agreement,*  
 18        *including the obligor, contemporaneously with the ac-*  
 19        *quisition of the asset by the Corporation;*

20            “(3) *is approved by the Board or an appropriate*  
 21        *committee of the Board, which approval shall be re-*  
 22        *flected in the minutes of the Board or committee; and*

23            “(4) *has been, continuously, from the time of the*  
 24        *agreement’s execution, an official record of the Cor-*  
 25        *poration.*



1       “(h) *REPORT TO THE CONGRESS.*—On a determina-  
 2       tion by the receiver for the Corporation that there are insuf-  
 3       ficient assets of the receivership to pay all valid claims  
 4       against the receivership, the receiver shall submit to the Sec-  
 5       retary of the Treasury, the Committee on Agriculture of the  
 6       House of Representatives, and the Committee on Agri-  
 7       culture, Nutrition, and Forestry of the Senate a report on  
 8       the financial condition of the receivership.

9       “(i) *TERMINATION OF AUTHORITIES.*—

10       “(1) *CORPORATION.*—The charter of the Corpora-  
 11       tion shall be canceled, and the authority provided to  
 12       the Corporation by this title shall terminate, on such  
 13       date as the Farm Credit Administration Board deter-  
 14       mines is appropriate following the placement of the  
 15       Corporation in receivership, but not later than the  
 16       conclusion of the receivership and discharge of the re-  
 17       ceiver.

18       “(2) *OVERSIGHT.*—The Office of Secondary Mar-  
 19       ket Oversight established under section 8.11 shall be  
 20       abolished, and section 8.11(a) and subtitle B shall  
 21       have no force or effect, on such date as the Farm  
 22       Credit Administration Board determines is appro-  
 23       priate following the placement of the Corporation in  
 24       receivership, but not later than the conclusion of the  
 25       receivership and discharge of the receiver.”.

## 1    ***TITLE II—REGULATORY RELIEF***

### 2    ***SEC. 201. COMPENSATION OF ASSOCIATION PERSONNEL.***

3       *Section 1.5(13) of the Farm Credit Act of 1971 (12*  
 4 *U.S.C. 2013(13)) is amended by striking “, and the ap-*  
 5 *pointment and compensation of the chief executive officer*  
 6 *thereof.”.*

### 7    ***SEC. 202. USE OF PRIVATE MORTGAGE INSURANCE.***

8       *(a) IN GENERAL.—Section 1.10(a)(1) of the Farm*  
 9 *Credit Act of 1971 (12 U.S.C. 2018(a)(1)) is amended by*  
 10 *adding at the end the following:*

11               *“(D) PRIVATE MORTGAGE INSURANCE.—A*  
 12               *loan on which private mortgage insurance is ob-*  
 13               *tained may exceed 85 percent of the appraised*  
 14               *value of the real estate security to the extent that*  
 15               *the loan amount in excess of such 85 percent is*  
 16               *covered by the insurance.”.*

17       *(b) CONFORMING AMENDMENT.—Section 1.10(a)(1)(A)*  
 18 *of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)(A))*  
 19 *is amended by striking “paragraphs (2) and (3)” and in-*  
 20 *serting “subparagraphs (C) and (D)”.*

### 21    ***SEC. 203. REMOVAL OF CERTAIN BORROWER REPORTING*** 22       ***REQUIREMENT.***

23       *Section 1.10(a) of the Farm Credit Act of 1971 (12*  
 24 *U.S.C. 2018(a)) is amended by striking paragraph (5).*

1 **SEC. 204. REFORM OF REGULATORY LIMITATIONS ON DIVI-**  
 2 **DEND, MEMBER BUSINESS, AND VOTING**  
 3 **PRACTICES OF ELIGIBLE FARMER-OWNED CO-**  
 4 **OPERATIVES.**

5 (a) *IN GENERAL.*—Section 3.8(a) of the Farm Credit  
 6 Act of 1971 (12 U.S.C. 2129(a)) is amended by adding at  
 7 the end the following: “Any such association that has re-  
 8 ceived a loan from a bank for cooperatives shall, without  
 9 regard to the requirements of paragraphs (1) through (4),  
 10 continue to be eligible for so long as more than 50 percent  
 11 (or such higher percentage as is established by the bank  
 12 board) of the voting control of the association is held by  
 13 farmers, producers or harvesters of aquatic products, or eli-  
 14 gible cooperative associations.”.

15 (b) *CONFORMING AMENDMENT.*—Section 3.8(b)(1)(D)  
 16 of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(D))  
 17 is amended by striking “and (4) of subsection (a)” and in-  
 18 serting “and (4), or under the last sentence, of subsection  
 19 (a)”.

20 **SEC. 205. REMOVAL OF FEDERAL GOVERNMENT CERTIFI-**  
 21 **CATION REQUIREMENT FOR CERTAIN PRI-**  
 22 **VATE SECTOR FINANCINGS.**

23 Section 3.8(b)(1)(A) of the Farm Credit Act of 1971  
 24 (12 U.S.C. 2129(b)(1)(A)) is amended—

25 (1) by striking “have been certified by the Ad-  
 26 ministrator of the Rural Electrification Administra-

1        *tion to be eligible for such” and inserting “are eligible*  
 2        *under the Rural Electrification Act of 1936 (7 U.S.C.*  
 3        *901 et seq.) for”;* and

4                *(2) by striking “loan guarantee, and” and in-*  
 5        *serting “loan guarantee from the Administration or*  
 6        *the Bank (or a successor of the Administration or the*  
 7        *Bank), and”.*

8        ***SEC. 206. BORROWER STOCK.***

9        *Section 4.3A of the Farm Credit Act of 1971 (12*  
 10        *U.S.C. 2154a) is amended—*

11                *(1) by redesignating subsections (f) and (g) as*  
 12        *subsections (g) and (h), respectively; and*

13                *(2) by inserting after subsection (e) the following:*

14        *“(f) LOANS DESIGNATED FOR SALE OR SOLD INTO*  
 15        *THE SECONDARY MARKET.—*

16                *“(1) IN GENERAL.—Subject to paragraph (2)*  
 17        *and notwithstanding any other provision of this sec-*  
 18        *tion, the bylaws adopted by a bank or association*  
 19        *under subsection (b) may provide—*

20                *“(A) in the case of a loan made on or after*  
 21        *the date of enactment of this paragraph that is*  
 22        *designated, at the time the loan is made, for sale*  
 23        *into a secondary market, that no voting stock or*  
 24        *participation certificate purchase requirement*  
 25        *shall apply to the borrower for the loan; and*

1           “(B) in the case of a loan made before the  
 2           date of enactment of this paragraph that is sold  
 3           into a secondary market, that all outstanding  
 4           voting stock or participation certificates held by  
 5           the borrower with respect to the loan shall, sub-  
 6           ject to subsection (d)(1), be retired.

7           “(2) *APPLICABILITY.*—Notwithstanding any  
 8           other provision of this section, in the case of a loan  
 9           sold to a secondary market under title VIII, para-  
 10          graph (1) shall apply regardless of whether the bank  
 11          or association retains a subordinated participation  
 12          interest in a loan or pool of loans or contributes to  
 13          a cash reserve.

14          “(3) *EXCEPTION.*—

15               “(A) *IN GENERAL.*—Subject to subpara-  
 16               graph (B) and notwithstanding any other provi-  
 17               sion of this section, if a loan designated for sale  
 18               under paragraph (1)(A) is not sold into a sec-  
 19               ondary market during the 180-day period that  
 20               begins on the date of the designation, the voting  
 21               stock or participation certificate purchase re-  
 22               quirement that would otherwise apply to the  
 23               loan in the absence of a bylaw provision de-  
 24               scribed in paragraph (1)(A) shall be effective.

1           “(B) *RETIREMENT.*—*The bylaws adopted by*  
 2           *a bank or association under subsection (b) may*  
 3           *provide that if a loan described in subparagraph*  
 4           *(A) is sold into a secondary market after the end*  
 5           *of the 180-day period described in the subpara-*  
 6           *graph, all outstanding voting stock or participa-*  
 7           *tion certificates held by the borrower with respect*  
 8           *to the loan shall, subject to subsection (d)(1), be*  
 9           *retired.”.*

10   **SEC. 207. DISCLOSURE RELATING TO ADJUSTABLE RATE**  
 11           **LOANS.**

12           *Section 4.13(a)(4) of the Farm Credit Act of 1971 (12*  
 13           *U.S.C. 2199(a)(4)) is amended by inserting before the semi-*  
 14           *colon at the end the following: “, and notice to the borrower*  
 15           *of a change in the interest rate applicable to the loan of*  
 16           *the borrower may be made within a reasonable time after*  
 17           *the effective date of an increase or decrease in the interest*  
 18           *rate”.*

19   **SEC. 208. BORROWERS’ RIGHTS.**

20           *(a) DEFINITION OF LOAN.*—*Section 4.14A(a)(5) of the*  
 21           *Farm Credit Act of 1971 (12 U.S.C. 2202a(a)(5)) is amend-*  
 22           *ed—*

23                   *(1) by striking “(5) LOAN.—The” and inserting*  
 24           *the following:*

25                   “(5) *LOAN.*—

“(A) *IN GENERAL*.—Subject to subparagraph (B), the”; and

(2) by adding at the end the following:

“(B) *EXCLUSION FOR LOANS DESIGNATED FOR SALE INTO SECONDARY MARKET*.—

“(i) *IN GENERAL*.—Except as provided in clause (ii), the term ‘loan’ does not include a loan made on or after the date of enactment of this subparagraph that is designated, at the time the loan is made, for sale into a secondary market.

“(ii) *UNSOLD LOANS*.—

“(I) *IN GENERAL*.—Except as provided in subclause (II), if a loan designated for sale under clause (i) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the provisions of this section and sections 4.14, 4.14B, 4.14C, 4.14D, and 4.36 that would otherwise apply to the loan in the absence of the exclusion described in clause (i) shall become effective with respect to the loan.

1                   “(II) *LATER SALE*.—If a loan de-  
 2                   scribed in subclause (I) is sold into a  
 3                   secondary market after the end of the  
 4                   180-day period described in subclause  
 5                   (I), subclause (I) shall not apply with  
 6                   respect to the loan beginning on the  
 7                   date of the sale.”.

8           (b) *BORROWERS’ RIGHTS FOR POOLED LOANS*.—The  
 9           first sentence of section 8.9(b) of the Farm Credit Act of  
 10          1971 (12 U.S.C. 2279aa–9(b)) is amended by inserting “(as  
 11          defined in section 4.14A(a)(5))” after “application for a  
 12          loan”.

13   **SEC. 209. FORMATION OF ADMINISTRATIVE SERVICE ENTI-**  
 14                   **TIES.**

15          Part E of title IV of the Farm Credit Act of 1971 is  
 16          amended by inserting after section 4.28 (12 U.S.C. 2214)  
 17          the following:

18   **“SEC. 4.28A. DEFINITION OF BANK.**

19          “In this part, the term ‘bank’ includes each association  
 20          operating under title II.”.

21   **SEC. 210. JOINT MANAGEMENT AGREEMENTS.**

22          The first sentence of section 5.17(a)(2)(A) of the Farm  
 23          Credit Act of 1971 (12 U.S.C. 2252(a)(2)(A)) is amended  
 24          by striking “or management agreements”.



1 **SEC. 211. DISSEMINATION OF QUARTERLY REPORTS.**

2       Section 5.17(a)(8) of the Farm Credit Act of 1971 (12  
3 U.S.C. 2252(a)(8)) is amended by inserting after “except  
4 that” the following: “the requirements of the Farm Credit  
5 Administration governing the dissemination to stockholders  
6 of quarterly reports of System institutions may not be more  
7 burdensome or costly than the requirements applicable to  
8 national banks, and”.

9 **SEC. 212. REGULATORY REVIEW.**

10       (a) *FINDINGS.*—Congress finds that—

11               (1) the Farm Credit Administration, in the role  
12 of the Administration as an arms-length safety and  
13 soundness regulator, has made considerable progress  
14 in reducing the regulatory burden on Farm Credit  
15 System institutions;

16               (2) the efforts of the Farm Credit Administration  
17 described in paragraph (1) have resulted in cost sav-  
18 ings for Farm Credit System institutions; and

19               (3) the cost savings described in paragraph (2)  
20 ultimately benefit the farmers, ranchers, agricultural  
21 cooperatives, and rural residents of the United States.

22       (b) *CONTINUATION OF REGULATORY REVIEW.*—The  
23 Farm Credit Administration shall continue the comprehen-  
24 sive review of regulations governing the Farm Credit Sys-  
25 tem to identify and eliminate, consistent with law, safety,

1 *and soundness, all regulations that are unnecessary, unduly*  
 2 *burdensome or costly, or not based on law.*

3 **SEC. 213. EXAMINATION OF FARM CREDIT SYSTEM INSTITU-**  
 4 **TIONS.**

5 *The first sentence of section 5.19(a) of the Farm Credit*  
 6 *Act of 1971 (12 U.S.C. 2254(a)) is amended by striking*  
 7 *“each year” and inserting “during each 18-month period”.*

8 **SEC. 214. CONSERVATORSHIPS AND RECEIVERSHIPS.**

9 *(a) DEFINITIONS.—Section 5.51 of the Farm Credit*  
 10 *Act of 1971 (12 U.S.C. 2277a) is amended—*

11 *(1) by striking paragraph (5); and*

12 *(2) by redesignating paragraph (6) as para-*  
 13 *graph (5).*

14 *(b) GENERAL CORPORATE POWERS.—Section 5.58 of*  
 15 *the Farm Credit Act of 1971 (12 U.S.C. 2277a–7) is amend-*  
 16 *ed by striking paragraph (9) and inserting the following:*

17 *“(9) CONSERVATOR OR RECEIVER.—The Cor-*  
 18 *poration may act as a conservator or receiver.”.*

19 **SEC. 215. FARM CREDIT INSURANCE FUND OPERATIONS.**

20 *(a) ADJUSTMENT OF PREMIUMS.—*

21 *(1) IN GENERAL.—Section 5.55(a) of the Farm*  
 22 *Credit Act of 1971 (12 U.S.C. 2277a–4(a)) is amend-*  
 23 *ed—*

24 *(A) in paragraph (1), by striking “Until*  
 25 *the aggregate of amounts in the Farm Credit In-*

1        *surance Fund exceeds the secure base amount,*  
 2        *the annual premium due from any insured Sys-*  
 3        *tem bank for any calendar year” and inserting*  
 4        *the following: “If at the end of any calendar year*  
 5        *the aggregate of amounts in the Farm Credit In-*  
 6        *surance Fund does not exceed the secure base*  
 7        *amount, subject to paragraph (2), the annual*  
 8        *premium due from any insured System bank for*  
 9        *the calendar year”;*

10            *(B) by redesignating paragraph (2) as*  
 11            *paragraph (3); and*

12            *(C) by inserting after paragraph (1) the fol-*  
 13            *lowing:*

14            *“(2) REDUCED PREMIUMS.—The Corporation, in*  
 15            *the sole discretion of the Corporation, may reduce by*  
 16            *a percentage uniformly applied to all insured System*  
 17            *banks the annual premium due from each insured*  
 18            *System bank during any calendar year, as deter-*  
 19            *mined under paragraph (1).”.*

20            *(2) CONFORMING AMENDMENTS.—*

21            *(A) Section 5.55(b) of the Farm Credit Act*  
 22            *of 1971 (12 U.S.C. 2277a–4(b)) is amended—*

23                    *(i) by striking “Insurance Fund” each*  
 24                    *place it appears and inserting “Farm Cred-*  
 25                    *it Insurance Fund”;*

1                   (ii) by striking “for the following cal-  
2                   endar year”; and

3                   (iii) by striking “subsection (a)” and  
4                   inserting “subsection (a)(1)”.

5                   (B) Section 5.56(a) of the Farm Credit Act  
6                   of 1971 (12 U.S.C. 2277a–5(a)) is amended by  
7                   striking “section 5.55(a)(2)” each place it ap-  
8                   pears in paragraphs (2) and (3) and inserting  
9                   “section 5.55(a)(3)”.

10                  (C) Section 1.12(b) (12 U.S.C. 2020(b)) is  
11                  amended—

12                         (i) in paragraph (1), by inserting “(as  
13                         defined in section 5.55(a)(3))” after “gov-  
14                         ernment-guaranteed loans”; and

15                         (ii) in paragraph (3), by inserting  
16                         “(as so defined)” after “government-guaran-  
17                         teed loans” each place such term appears.

18                  (b) ALLOCATION TO INSURED SYSTEM BANKS AND  
19                  OTHER SYSTEM INSTITUTIONS OF EXCESS AMOUNTS IN  
20                  THE FARM CREDIT INSURANCE FUND.—Section 5.55 of the  
21                  Farm Credit Act of 1971 (12 U.S.C. 2277a–4) is amended  
22                  by adding at the end the following:

23                         “(e) ALLOCATION TO SYSTEM INSTITUTIONS OF EX-  
24                         CESS RESERVES.—

1           “(1) *ESTABLISHMENT OF ALLOCATED INSURANCE*  
 2           *RESERVES ACCOUNTS.*—*There is hereby established in*  
 3           *the Farm Credit Insurance Fund an Allocated Insur-*  
 4           *ance Reserves Account—*

5                     “(A) *for each insured System bank; and*

6                     “(B) *subject to paragraph (6)(C), for all*  
 7           *holders, in the aggregate, of Financial Assistance*  
 8           *Corporation stock.*

9           “(2) *TREATMENT.*—*Amounts in any Allocated*  
 10          *Insurance Reserves Account shall be considered to be*  
 11          *part of the Farm Credit Insurance Fund.*

12          “(3) *ANNUAL ALLOCATIONS.*—*If, at the end of*  
 13          *any calendar year, the aggregate of the amounts in*  
 14          *the Farm Credit Insurance Fund exceeds the average*  
 15          *secure base amount for the calendar year (as cal-*  
 16          *culated on an average daily balance basis), the Cor-*  
 17          *poration shall allocate to the Allocated Insurance Re-*  
 18          *serves Accounts the excess amount less the amount*  
 19          *that the Corporation, in its sole discretion, determines*  
 20          *to be the sum of the estimated operating expenses and*  
 21          *estimated insurance obligations of the Corporation for*  
 22          *the immediately succeeding calendar year.*

23          “(4) *ALLOCATION FORMULA.*—*From the total*  
 24          *amount required to be allocated at the end of a cal-*  
 25          *endar year under paragraph (3)—*

1           “(A) 10 percent of the total amount shall be  
 2           credited to the Allocated Insurance Reserves Ac-  
 3           count established under paragraph (1)(B), sub-  
 4           ject to paragraph (6)(C); and

5           “(B) there shall be credited to the Allocated  
 6           Insurance Reserves Account of each insured Sys-  
 7           tem bank an amount that bears the same ratio  
 8           to the total amount (less any amount credited  
 9           under subparagraph (A)) as the average prin-  
 10          cipal outstanding for the 3-year period ending  
 11          on the end of the calendar year on loans made  
 12          by the bank that are in accrual status bears to  
 13          the average principal outstanding for the 3-year  
 14          period ending on the end of the calendar year on  
 15          loans made by all insured System banks that are  
 16          in accrual status (excluding, in each case, the  
 17          guaranteed portions of government-guaranteed  
 18          loans described in subsection (a)(1)(C)).

19          “(5) *USE OF FUNDS IN ALLOCATED INSURANCE*  
 20          *RESERVES ACCOUNTS.*—To the extent that the sum of  
 21          the operating expenses of the Corporation and the in-  
 22          surance obligations of the Corporation for a calendar  
 23          year exceeds the sum of operating expenses and insur-  
 24          ance obligations determined under paragraph (3) for

1       *the calendar year, the Corporation shall cover the ex-*  
 2       *penses and obligations by—*

3               “(A) *reducing each Allocated Insurance Re-*  
 4       *serves Account by the same proportion; and*

5               “(B) *expending the amounts obtained under*  
 6       *subparagraph (A) before expending other*  
 7       *amounts in the Fund.*

8       “(6) *OTHER DISPOSITION OF ACCOUNT FUNDS.—*

9               “(A) *IN GENERAL.—As soon as practicable*  
 10       *during each calendar year beginning more than*  
 11       *8 years after the date on which the aggregate of*  
 12       *the amounts in the Farm Credit Insurance Fund*  
 13       *exceeds the secure base amount, but not earlier*  
 14       *than January 1, 2005, the Corporation may—*

15               “(i) *subject to subparagraphs (D) and*  
 16       *(F), pay to each insured System bank, in a*  
 17       *manner determined by the Corporation, an*  
 18       *amount equal to the lesser of—*

19               “(I) *20 percent of the balance in*  
 20       *the insured System bank’s Allocated*  
 21       *Insurance Reserves Account as of the*  
 22       *preceding December 31; or*

23               “(II) *20 percent of the balance in*  
 24       *the bank’s Allocated Insurance Reserves*

1                   *Account on the date of the payment;*  
 2                   *and*

3                   “(ii) *subject to subparagraphs (C), (E),*  
 4                   *and (F), pay to each System bank and asso-*  
 5                   *ciation holding Financial Assistance Cor-*  
 6                   *poration stock a proportionate share, deter-*  
 7                   *mined by dividing the number of shares of*  
 8                   *Financial Assistance Corporation stock held*  
 9                   *by the institution by the total number of*  
 10                   *shares of Financial Assistance Corporation*  
 11                   *stock outstanding, of the lesser of—*

12                   “(I) *20 percent of the balance in*  
 13                   *the Allocated Insurance Reserves Ac-*  
 14                   *count established under paragraph*  
 15                   *(1)(B) as of the preceding December*  
 16                   *31; or*

17                   “(II) *20 percent of the balance in*  
 18                   *the Allocated Insurance Reserves Ac-*  
 19                   *count established under paragraph*  
 20                   *(1)(B) on the date of the payment.*

21                   “(B) *AUTHORITY TO ELIMINATE OR REDUCE*  
 22                   *PAYMENTS.—The Corporation may eliminate or*  
 23                   *reduce payments during a calendar year under*  
 24                   *subparagraph (A) if the Corporation determines,*  
 25                   *in its sole discretion, that the payments, or other*



1        *circumstances that might require use of the*  
2        *Farm Credit Insurance Fund, could cause the*  
3        *amount in the Farm Credit Insurance Fund*  
4        *during the calendar year to be less than the se-*  
5        *cure base amount.*

6                “(C) *REIMBURSEMENT FOR FINANCIAL AS-*  
7        *SISTANCE CORPORATION STOCK.—*

8                “(i) *SUFFICIENT FUNDING.—Notwith-*  
9        *standing paragraph (4)(A), on provision by*  
10       *the Corporation for the accumulation in the*  
11       *Account established under paragraph (1)(B)*  
12       *of funds in an amount equal to \$56,000,000*  
13       *(in addition to the amounts described in*  
14       *subparagraph (F)(ii)), the Corporation*  
15       *shall not allocate any further funds to the*  
16       *Account except to replenish the Account if*  
17       *funds are diminished below \$56,000,000 by*  
18       *the Corporation under paragraph (5).*

19               “(ii) *WIND DOWN AND TERMINATION.—*

20               “(I) *FINAL DISBURSEMENTS.—On*  
21       *disbursement of \$53,000,000 (in addi-*  
22       *tion to the amounts described in sub-*  
23       *paragraph (F)(ii)) from the Allocated*  
24       *Insurance Reserves Account, the Cor-*  
25       *poration shall disburse the remaining*

1           *amounts in the Account, as determined*  
2           *under subparagraph (A)(ii), without*  
3           *regard to the percentage limitations in*  
4           *subclauses (I) and (II) of subpara-*  
5           *graph (A)(ii).*

6                   “(II)   TERMINATION   OF   AC-  
7           COUNT.—On       disbursement       of  
8           \$56,000,000   (in   addition   to   the  
9           amounts described in subparagraph  
10          (F)(ii)) from the Allocated Insurance  
11          Reserves Account, the Corporation shall  
12          close the Account established under  
13          paragraph (1)(B) and transfer any re-  
14          maining funds in the Account to the  
15          remaining Allocated Insurance Re-  
16          serves Accounts in accordance with  
17          paragraph (4)(B) for the calendar year  
18          in which the transfer occurs.

19                   “(D)   DISTRIBUTION   OF   PAYMENTS   RE-  
20          CEIVED.—Not later than 60 days after receipt of  
21          a payment made under subparagraph (A)(i),  
22          each insured System bank, in consultation with  
23          affiliated associations of the insured System  
24          bank, and taking into account the direct or indi-  
25          rect payment of insurance premiums by the asso-

1        *ciations, shall develop and implement an equi-*  
2        *table plan to distribute payments received under*  
3        *subparagraph (A)(i) among the bank and asso-*  
4        *ciations of the bank.*

5                *“(E) EXCEPTION FOR PREVIOUSLY REIM-*  
6        *BURSED ASSOCIATIONS.—For purposes of sub-*  
7        *paragraph (A)(ii), in any Farm Credit district*  
8        *in which the funding bank has reimbursed 1 or*  
9        *more affiliated associations of the bank for the*  
10       *previously unreimbursed portion of the Finan-*  
11       *cial Assistance Corporation stock held by the as-*  
12       *sociations, the funding bank shall be deemed to*  
13       *be the holder of the shares of Financial Assist-*  
14       *ance Corporation stock for which the funding*  
15       *bank has provided the reimbursement.*

16               *“(F) INITIAL PAYMENT.—Notwithstanding*  
17       *subparagraph (A), the initial payment made to*  
18       *each payee under subparagraph (A) shall be in*  
19       *such amount determined by the Corporation to*  
20       *be equal to the sum of—*

21               *“(i) the total of the amounts that*  
22       *would have been paid if payments under*  
23       *subparagraph (A) had been authorized to*  
24       *begin, under the same terms and conditions,*  
25       *in the first calendar year beginning more*

1           *than 5 years after the date on which the ag-*  
 2           *gregate of the amounts in the Farm Credit*  
 3           *Insurance Fund exceeds the secure base*  
 4           *amount, and to continue through the 2 im-*  
 5           *mediately subsequent years;*

6           “(ii) *interest earned on any amounts*  
 7           *that would have been paid as described in*  
 8           *clause (i) from the date on which the pay-*  
 9           *ments would have been paid as described in*  
 10          *clause (i); and*

11          “(iii) *the payment to be made in the*  
 12          *initial year described in subparagraph (A),*  
 13          *based on the amount in each Account after*  
 14          *subtracting the amounts to be paid under*  
 15          *clauses (i) and (ii).”*

16          (c) *TECHNICAL AMENDMENTS.—Section 5.55(d) of the*  
 17          *Farm Credit Act of 1971 (12 U.S.C. 2277a–4(d)) is amend-*  
 18          *ed—*

19               (1) *in the matter preceding paragraph (1)—*

20                   (A) *by striking “subsections (a) and (c)”*  
 21                   *and inserting “subsections (a), (c), and (e)”;* and

22                   (B) *by striking “a Farm Credit Bank” and*  
 23                   *inserting “an insured System bank”;* and

1           (2) in paragraphs (1), (2), and (3), by striking  
 2           “Farm Credit Bank” each place it appears and in-  
 3           serting “insured System bank”.

4   **SEC. 216. EXAMINATIONS BY THE FARM CREDIT SYSTEM IN-**  
 5                           **SURANCE CORPORATION.**

6           Section 5.59(b)(1)(A) of the Farm Credit Act of 1971  
 7   (12 U.S.C. 2277a–8(b)(1)(A)) is amended by adding at the  
 8   end the following: “Notwithstanding any other provision of  
 9   this Act, on cancellation of the charter of a System institu-  
 10   tion, the Corporation shall have authority to examine the  
 11   system institution in receivership. An examination shall be  
 12   performed at such intervals as the Corporation shall deter-  
 13   mine.”.

14   **SEC. 217. POWERS WITH RESPECT TO TROUBLED INSURED**  
 15                           **SYSTEM BANKS.**

16           (a) *LEAST-COST RESOLUTION*.—Section 5.61(a)(3) of  
 17   the Farm Credit Act of 1971 (12 U.S.C. 2277a–10(a)) is  
 18   amended—

19                   (1) by redesignating subparagraph (B) as sub-  
 20                   paragraph (F); and

21                   (2) by striking subparagraph (A) and inserting  
 22                   the following:

23                           “(A) *LEAST-COST RESOLUTION*.—Assistance  
 24                           may not be provided to an insured System bank  
 25                           under this subsection unless the means of provid-

ing the assistance is the least costly means of providing the assistance by the Farm Credit Insurance Fund of all possible alternatives available to the Corporation, including liquidation of the bank (including paying the insured obligations issued on behalf of the bank). Before making a least-cost determination under this subparagraph, the Corporation shall accord such other insured System banks as the Corporation determines to be appropriate the opportunity to submit information relating to the determination.

“(B) DETERMINING LEAST COSTLY APPROACH.—In determining the least costly alternative under subparagraph (A), the Corporation shall—

“(i) evaluate alternatives on a present-value basis, using a reasonable discount rate;

“(ii) document the evaluation and the assumptions on which the evaluation is based; and

“(iii) retain the documentation for not less than 5 years.

“(C) TIME OF DETERMINATION.—

1           “(i) *GENERAL RULE.*—For purposes of  
2           this subsection, the determination of the  
3           costs of providing any assistance under any  
4           provision of this section with respect to any  
5           insured System bank shall be made as of the  
6           date on which the Corporation makes the  
7           determination to provide the assistance to  
8           the institution under this section.

9           “(ii) *RULE FOR LIQUIDATIONS.*—For  
10          purposes of this subsection, the determina-  
11          tion of the costs of liquidation of any in-  
12          sured System bank shall be made as of the  
13          earliest of—

14               “(I) the date on which a conserva-  
15               tor is appointed for the insured System  
16               bank;

17               “(II) the date on which a receiver  
18               is appointed for the insured System  
19               bank; or

20               “(III) the date on which the Cor-  
21               poration makes any determination to  
22               provide any assistance under this sec-  
23               tion with respect to the insured System  
24               bank.

1           “(D) *RULE FOR STAND-ALONE ASSIST-*  
 2           *ANCE.—Before providing any assistance under*  
 3           *paragraph (1), the Corporation shall evaluate*  
 4           *the adequacy of managerial resources of the in-*  
 5           *sured System bank. The continued service of any*  
 6           *director or senior ranking officer who serves in*  
 7           *a policymaking role for the assisted insured Sys-*  
 8           *tem bank, as determined by the Corporation,*  
 9           *shall be subject to approval by the Corporation*  
 10           *as a condition of assistance.*

11           “(E) *DISCRETIONARY DETERMINATIONS.—*  
 12           *Any determination that the Corporation makes*  
 13           *under this paragraph shall be in the sole discre-*  
 14           *tion of the Corporation.”.*

15           (b) *CONFORMING AMENDMENTS.—Section 5.61(a) of*  
 16           *the Farm Credit Act of 1971 (12 U.S.C. 2277a–10(a)) is*  
 17           *amended—*

18           (1) *in paragraph (1) by striking “IN GEN-*  
 19           *ERAL.—” and inserting “STAND-ALONE ASSIST-*  
 20           *ANCE.—”; and*

21           (2) *in paragraph (2)—*

22           (A) *by striking “ENUMERATED POWERS.—”*  
 23           *and inserting “FACILITATION OF MERGERS OR*  
 24           *CONSOLIDATION.—”; and*



1                   (B) in subparagraph (A) by striking “FA-  
 2                   CILITATION OF MERGERS OR CONSOLIDATION.—”  
 3                   and inserting “IN GENERAL.—”.

4   **SEC. 218. OVERSIGHT AND REGULATORY ACTIONS BY THE**  
 5                   **FARM CREDIT SYSTEM INSURANCE CORPORA-**  
 6                   **TION.**

7           *The Farm Credit Act of 1971 is amended by inserting*  
 8   *after section 5.61 (12 U.S.C. 2279a–10) the following:*

9   **“SEC. 5.61A. OVERSIGHT ACTIONS BY THE CORPORATION.**

10           “(a) *DEFINITIONS.—In this section, the term ‘institu-*  
 11   *tion’ means—*

12                   “(1) *an insured System bank; and*

13                   “(2) *a production credit association or other as-*  
 14   *sociation making loans under section 7.6 with a di-*  
 15   *rect loan payable to the funding bank of the associa-*  
 16   *tion that comprises 20 percent or more of the funding*  
 17   *bank’s total loan volume net of nonaccrual loans.*

18           “(b) *CONSULTATION REGARDING PARTICIPATION OF*  
 19   *UNDERCAPITALIZED BANKS IN ISSUANCE OF INSURED OB-*  
 20   *LIGATIONS.—The Farm Credit Administration shall consult*  
 21   *with the Corporation prior to approving an insured obliga-*  
 22   *tion that is to be issued by or on behalf of, or participated*  
 23   *in by, any insured System bank that fails to meet the mini-*  
 24   *imum level for any capital requirement established by the*  
 25   *Farm Credit Administration for the bank.*

1       “(c) *CONSULTATION REGARDING APPLICATIONS FOR*  
 2 *MERGERS AND RESTRUCTURINGS.*—

3               “(1) *CORPORATION TO RECEIVE COPY OF TRANS-*  
 4 *ACTION APPLICATIONS.*—*On receiving an application*  
 5 *for a merger or restructuring of an institution, the*  
 6 *Farm Credit Administration shall forward a copy of*  
 7 *the application to the Corporation.*

8               “(2) *CONSULTATION REQUIRED.*—*If the proposed*  
 9 *merger or restructuring involves an institution that*  
 10 *fails to meet the minimum level for any capital re-*  
 11 *quirement established by the Farm Credit Adminis-*  
 12 *tration applicable to the institution, the Farm Credit*  
 13 *Administration shall allow 30 days within which the*  
 14 *Corporation may submit the views and recommenda-*  
 15 *tions of the Corporation, including any conditions for*  
 16 *approval. In determining whether to approve or dis-*  
 17 *approve any proposed merger or restructuring, the*  
 18 *Farm Credit Administration shall give due consider-*  
 19 *ation to the views and recommendations of the Cor-*  
 20 *poration.*

21 **“SEC. 5.61B. AUTHORITY TO REGULATE GOLDEN PARA-**  
 22 **CHUTE AND INDEMNIFICATION PAYMENTS.**

23       “(a) *DEFINITIONS.*—*In this section:*

24               “(1) *GOLDEN PARACHUTE PAYMENT.*—*The term*  
 25 *‘golden parachute payment’—*

1           “(A) means a payment (or any agreement  
2           to make a payment) in the nature of compensa-  
3           tion for the benefit of any institution-related  
4           party under an obligation of any Farm Credit  
5           System institution that—

6                   “(i) is contingent on the termination of  
7                   the party’s relationship with the institution;  
8                   and

9                   “(ii) is received on or after the date on  
10                  which—

11                           “(I) the institution is insolvent;

12                           “(II) a conservator or receiver is  
13                           appointed for the institution;

14                           “(III) the institution has been as-  
15                           signed by the Farm Credit Adminis-  
16                           tration a composite CAMEL rating of  
17                           4 or 5 under the Farm Credit Admin-  
18                           istration Rating System, or an equiva-  
19                           lent rating; or

20                           “(IV) the Corporation otherwise  
21                           determines that the institution is in a  
22                           troubled condition (as defined in regu-  
23                           lations issued by the Corporation); and

24           “(B) includes a payment that would be a  
25           golden parachute payment but for the fact that

1        *the payment was made before the date referred to*  
 2        *in subparagraph (A)(ii) if the payment was*  
 3        *made in contemplation of the occurrence of an*  
 4        *event described in any subclause of subparagraph*  
 5        *(A); but*

6                *“(C) does not include—*

7                        *“(i) a payment made under a retire-*  
 8                        *ment plan that is qualified (or is intended*  
 9                        *to be qualified) under section 401 of the In-*  
 10                        *ternal Revenue Code of 1986 or other non-*  
 11                        *discriminatory benefit plan;*

12                        *“(ii) a payment made under a bona*  
 13                        *fide supplemental executive retirement plan,*  
 14                        *deferred compensation plan, or other ar-*  
 15                        *rangement that the Corporation determines,*  
 16                        *by regulation or order, to be permissible; or*

17                        *“(iii) a payment made by reason of the*  
 18                        *death or disability of an institution-related*  
 19                        *party.*

20                *“(2) INDEMNIFICATION PAYMENT.—The term ‘in-*  
 21                *demnification payment’ means a payment (or any*  
 22                *agreement to make a payment) by any Farm Credit*  
 23                *System institution for the benefit of any person who*  
 24                *is or was an institution-related party, to pay or re-*  
 25                *imburse the person for any liability or legal expense*

1       *with regard to any administrative proceeding or civil*  
 2       *action instituted by the Farm Credit Administration*  
 3       *that results in a final order under which the person—*

4               “(A) *is assessed a civil money penalty; or*

5               “(B) *is removed or prohibited from partici-*  
 6       *parting in the conduct of the affairs of the insti-*  
 7       *tution.*

8               “(3) *INSTITUTION-RELATED PARTY.—The term*  
 9       *‘institution-related party’ means—*

10              “(A) *a director, officer, employee, or agent*  
 11       *for a Farm Credit System institution or any*  
 12       *conservator or receiver of such an institution;*

13              “(B) *a stockholder (other than another*  
 14       *Farm Credit System institution), consultant,*  
 15       *joint venture partner, or any other person deter-*  
 16       *mined by the Farm Credit Administration to be*  
 17       *a participant in the conduct of the affairs of a*  
 18       *Farm Credit System institution; and*

19              “(C) *an independent contractor (including*  
 20       *any attorney, appraiser, or accountant) that*  
 21       *knowingly or recklessly participates in any vio-*  
 22       *lation of any law or regulation, any breach of fi-*  
 23       *duciary duty, or any unsafe or unsound practice*  
 24       *that caused or is likely to cause more than a*  
 25       *minimal financial loss to, or a significant ad-*

1           verse effect on, the Farm Credit System institu-  
2           tion.

3           “(4) *LIABILITY OR LEGAL EXPENSE*.—The term  
4           ‘liability or legal expense’ means—

5                   “(A) a legal or other professional expense  
6                   incurred in connection with any claim, proceed-  
7                   ing, or action;

8                   “(B) the amount of, and any cost incurred  
9                   in connection with, any settlement of any claim,  
10                  proceeding, or action; and

11                  “(C) the amount of, and any cost incurred  
12                  in connection with, any judgment or penalty im-  
13                  posed with respect to any claim, proceeding, or  
14                  action.

15           “(5) *PAYMENT*.—The term ‘payment’ means—

16                   “(A) a direct or indirect transfer of any  
17                   funds or any asset; and

18                   “(B) any segregation of any funds or assets  
19                   for the purpose of making, or under an agree-  
20                   ment to make, any payment after the date on  
21                   which the funds or assets are segregated, without  
22                   regard to whether the obligation to make the  
23                   payment is contingent on—

1                   “(i) the determination, after that date,  
 2                   of the liability for the payment of the  
 3                   amount; or

4                   “(ii) the liquidation, after that date, of  
 5                   the amount of the payment.

6           “(b) *PROHIBITION.*—The Corporation may prohibit or  
 7 limit, by regulation or order, any golden parachute pay-  
 8 ment or indemnification payment by a Farm Credit Sys-  
 9 tem institution (including any conservator or receiver of  
 10 the Federal Agricultural Mortgage Corporation) in troubled  
 11 condition (as defined in regulations issued by the Corpora-  
 12 tion).

13           “(c) *FACTORS TO BE TAKEN INTO ACCOUNT.*—The  
 14 Corporation shall prescribe, by regulation, the factors to be  
 15 considered by the Corporation in taking any action under  
 16 subsection (b). The factors may include—

17                   “(1) whether there is a reasonable basis to believe  
 18                   that an institution-related party has committed any  
 19                   fraudulent act or omission, breach of trust or fidu-  
 20                   ciary duty, or insider abuse with regard to the Farm  
 21                   Credit System institution involved that has had a  
 22                   material effect on the financial condition of the insti-  
 23                   tution;

24                   “(2) whether there is a reasonable basis to believe  
 25                   that the institution-related party is substantially re-

1        *sponsible for the insolvency of the Farm Credit Sys-*  
 2        *tem institution, the appointment of a conservator or*  
 3        *receiver for the institution, or the institution’s trou-*  
 4        *bled condition (as defined in regulations prescribed by*  
 5        *the Corporation);*

6                *“(3) whether there is a reasonable basis to believe*  
 7        *that the institution-related party has materially vio-*  
 8        *lated any applicable law or regulation that has had*  
 9        *a material effect on the financial condition of the in-*  
 10       *stitution;*

11               *“(4) whether there is a reasonable basis to believe*  
 12       *that the institution-related party has violated or con-*  
 13       *spired to violate—*

14               *“(A) section 215, 657, 1006, 1014, or 1344*  
 15       *of title 18, United States Code; or*

16               *“(B) section 1341 or 1343 of title 18, Unit-*  
 17       *ed States Code, affecting a Farm Credit System*  
 18       *institution;*

19               *“(5) whether the institution-related party was in*  
 20       *a position of managerial or fiduciary responsibility;*  
 21       *and*

22               *“(6) the length of time that the party was related*  
 23       *to the Farm Credit System institution and the degree*  
 24       *to which—*



1                   “(A) *the payment reasonably reflects com-*  
 2                   *ensation earned over the period of employment;*  
 3                   *and*

4                   “(B) *the compensation represents a reason-*  
 5                   *able payment for services rendered.*

6           “(d) *CERTAIN PAYMENTS PROHIBITED.—No Farm*  
 7           *Credit System institution may prepay the salary or any*  
 8           *liability or legal expense of any institution-related party*  
 9           *if the payment is made—*

10                   “(1) *in contemplation of the insolvency of the in-*  
 11                   *stitution or after the commission of an act of insol-*  
 12                   *vency; and*

13                   “(2) *with a view to, or with the result of—*

14                   “(A) *preventing the proper application of*  
 15                   *the assets of the institution to creditors; or*

16                   “(B) *preferring 1 creditor over another*  
 17                   *creditor.*

18           “(e) *RULE OF CONSTRUCTION.—Nothing in this sec-*  
 19           *tion—*

20                   “(1) *prohibits any Farm Credit System institu-*  
 21                   *tion from purchasing any commercial insurance pol-*  
 22                   *icy or fidelity bond, so long as the insurance policy*  
 23                   *or bond does not cover any legal or liability expense*  
 24                   *of an institution described in subsection (a)(2); or*

1           “(2) *limits the powers, functions, or responsibil-*  
 2           *ities of the Farm Credit Administration.*”.

3   **SEC. 219. FARM CREDIT SYSTEM INSURANCE CORPORATION**

4                   **BOARD OF DIRECTORS.**

5           (a) *IN GENERAL.*—Section 5.53 of the Farm Credit  
 6   Act of 1971 (12 U.S.C. 2277a-2) is amended to read as  
 7   follows:

8   **“SEC. 5.53. BOARD OF DIRECTORS.**

9           “(a) *ESTABLISHMENT.*—The Corporation shall be  
 10   managed by a Board of Directors that shall consist of the  
 11   members of the Farm Credit Administration Board.

12          “(b) *CHAIRMAN.*—The Board of Directors shall be  
 13   chaired by any Board member other than the Chairman  
 14   of the Farm Credit Administration Board.”.

15          (b) *CONFORMING AMENDMENTS.*—

16               (1) Section 5314 of title 5, United States Code,  
 17   is amended by striking “Chairperson, Board of Direc-  
 18   tors of the Farm Credit System Insurance Corpora-  
 19   tion.”.

20               (2) Section 5315 of title 5, United States Code,  
 21   is amended by striking “Members, Board of Directors  
 22   of the Farm Credit System Insurance Corporation.”.

23   **SEC. 220. INTEREST RATE REDUCTION PROGRAM.**

24          Section 351(a) of the Consolidated Farm and Rural  
 25   Development Act (7 U.S.C. 1999) is amended—

1                   (A) by striking “SEC. 351. (a) The” and in-  
 2                   serting the following:

3   **“SEC. 351. INTEREST RATE REDUCTION PROGRAM.**

4                   “(a) *ESTABLISHMENT OF PROGRAM.*—

5                   “(1) *IN GENERAL.*—The”; and

6                   (B) by adding at the end the following:

7                   “(2) *TERMINATION OF AUTHORITY.*—The author-  
 8                   ity provided by this subsection shall terminate on  
 9                   September 30, 2002.”.

10   **SEC. 221. LIABILITY FOR MAKING CRIMINAL REFERRALS.**

11                  (a) *IN GENERAL.*—Any institution of the Farm Credit  
 12                  System, or any director, officer, employee, or agent of a  
 13                  Farm Credit System institution, that discloses to a Govern-  
 14                  ment authority information proffered in good faith that  
 15                  may be relevant to a possible violation of any law or regula-  
 16                  tion shall not be liable to any person under any law of  
 17                  the United States or any State—

18                         (1) for the disclosure; or

19                         (2) for any failure to notify the person involved  
 20                         in the possible violation.

21                  (b) *NO PROHIBITION ON DISCLOSURE.*—Any institu-  
 22                  tion of the Farm Credit System, or any director, officer,  
 23                  employee, or agent of a Farm Credit System institution,  
 24                  may disclose information to a Government authority that

1 *may be relevant to a possible violation of any law or regula-*  
2 *tion.*

3       ***TITLE III—IMPLEMENTATION***  
4       ***AND EFFECTIVE DATE***

5       ***SEC. 301. IMPLEMENTATION.***

6       *The Secretary of Agriculture and the Farm Credit Ad-*  
7 *ministration shall promulgate regulations and take other*  
8 *required actions to implement the provisions of this Act not*  
9 *later than 90 days after the effective date of this Act.*

10       ***SEC. 302. EFFECTIVE DATE.***

11       *Except as otherwise provided in this Act, this Act and*  
12 *the amendments made by this Act shall become effective on*  
13 *the date of enactment.*

*Attest:*

*Clerk.*